National Aeronautics and Space Administration

Kennedy Space Center
Kennedy Space Center, FL 32899

December 7, 2007

Reply to Attn of: OP-AM (08-006)

TO: All Kennedy Space Center Purchase Cardholders and Approving Officials

FROM: OP/Director, Procurement Office

SUBJECT: Purchase Card Audit Results, Fiscal Year (FY) 2007

This report provides results of the Fiscal Year 2007, Technical Purchase Card Audit for Kennedy Space Center (KSC). The audit was conducted by representatives from the Procurement Office (OP), Logistics and Services Branch (TA-E), and Information Technology and the Communications Services Office (IT). A review of account and transaction activity was accomplished using reports from the P-Card Web Solution software and through direct review of transactional data within the order log records. Please refer to the Audit Plan (Enclosure 1) for more details.

The scope for the FY 2007 audit included purchase card activity for the entire year with a concentration on identifying questionable purchases and compliance with Purchase Card, Government Property, and IT guidance. Additional objectives of this review include ensuring that purchase cards are only issued to employees with a demonstrated need, that purchasing limitations were suitable, and to identify evidence of fragmenting or splitting of requirements.

This audit identified 26 Cardholders showing little or no purchasing activity during FY 2007. The KSC Purchase Card Coordinator sent an e-mail to these Cardholders inquiring whether they still require a purchase card. Cardholders who no longer need the purchase card or cannot adequately justify the retention of the purchase card had their accounts closed. Subsequently, 6 purchase card accounts were closed.

The Purchase Card Coordinator reviewed purchase card activity on a monthly basis during statement reconciliation for any potential cases of fragmenting purchases to circumvent the micro-purchase threshold. Each month 20 percent of the Cardholders who used their card in the given month, were chosen for the monthly audit. Every Cardholder that used their purchase card in FY 2007 was audited at least once. There were no findings of improper purchases during the monthly audits. Bi-weekly reviews of the order logs ensured that all Cardholders followed the proper policies and procedures before the items were purchased. TA-E also conducted quarterly audits to ensure that procedures regarding sensitive items are being followed.

Additional audit findings and observations are as follows:

Observation:
The NASA-KSC Property Office (TA) conducted an audit to ensure that: Property being ordered meets the criteria for tagging and if the Cardholder assured that the property went through Space Gateway Support (SGS) Receiving office for tagging and input?

The audit results concluded that most Cardholders are cognizant of the need to assure property is routed through SGS Receiving. There were several instances of items not being tagged properly. These items were followed-up on and subsequently tagged. Please see Enclosure 2 for the full Property Audit.

Finding 1:
The audit revealed failure of some Cardholders to document order logs with information regarding the purchase, and any approvals obtained in accordance with NASA FAR Supplement 1813.301. Documentation of order logs aids in determining whether a purchase is proper or improper. Failure to document order logs draws unneeded scrutiny to an otherwise correct and proper purchase.

Corrective Action 1:
A reminder e-mail will be sent to all Cardholders and this topic will be reinforced in future training. The Purchase Card Coordinator is actively looking at order logs before they are reconciled to ensure that comments are being added to the order log. If there is a Cardholder that is consistently not adhering to policy, they will be placed on probation or have their purchasing privileges temporarily suspended.

Finding 2:
A random sample of twenty items was selected from all the items identified as Electronic and Information Technology (EIT). Ten items were selected from those items marked not Section 508 compliant and ten items were selected from those items marked as Section 508 compliant. It was found that purchase Cardholders are diligent in identifying EIT, determining Section 508 compliance, and considering Outsourcing Desktop Initiative (ODIN), which was consistent with FY 2006. Purchase Cardholders continue to over-identify EIT. In this sample, 35 percent of the line items were misidentified as EIT. This is consistent with FY 2006. Purchase Cardholders made reasonable determinations of Section 508 compliance in all cases. This is consistent with FY 2006. Purchase Cardholders documented their ODIN due diligence in the comments for 30 percent of the line items. This is consistent with FY 2006.

Please see the complete IT audit (Enclosure 3) for more information.

Corrective Action 2:
Continue training purchase Cardholders with regard to EIT, Section 508, and consideration of ODIN. Update consideration of ODIN training material to reflect

changes due to Mission Focus Review Recommendation 137, Mandatory Use of the ODIN.

Summary of Audit:
To a high degree, the KSC Technical Purchase Cardholders are following operating policies and guidelines. To ensure a continued compliant and successful program, monthly reviews and yearly audits will continue to be performed and additional training will be delivered as necessary to increase knowledge skill-level in P-Card Web Solution, and to reinforce compliance of all program requirements. Consequently, the Purchase Card Coordinator will continue to sensitize KSC Purchase Card Holders and Approving Officials of the importance of complying with all requirements and advise them to take advantage of all training and learning opportunities.

No Directorate is required to respond in writing to this audit report. Questions in response to this audit should be sent to OP-AM, Cicely Simmons, Purchase Card Coordinator at (321) 867-3912.

Dudley R Cannon, Jr
Dudley R. Cannon, Jr.

3 Enclosures:
1. FY 2007 Audit Plan
2. Property Audit Results
3. FY 2007 Purchase Card EIT Audit Report

Fiscal Year (FY) 2007 Audit Plan

Audit Scope:

The scope for the FY 2007 Audit will include Bankcard activity for the entire year. Monthly audits of 10-15 cardholders will be performed during the year. By the end of the FY, all cardholders will have been audited at least once. The Center Purchase Card Coordinator (APC), will compile the results of the FY 2007 audit into a final report to be signed by the Procurement Director.

Audit Objectives:

Objective 1 - Account Activity Reviews:

1. **Issue bankcards only to employees with demonstrated need.**

Bankcards are issued to individuals who submit a written request identifying a justifiable need with concurrence by their supervisors. The audit will identify Cardholders showing little or no purchasing activity. The Center APC will send an e-mail to these Cardholders inquiring whether they still require a bankcard. Cardholders who no longer need the bankcard account or cannot adequately justify the retention of the bankcard will have their accounts closed.

Objective 2 – Transaction Reviews:

1. **Ensure that only appropriate items are requisitioned.**

Cardholder responsibility is emphasized as it relates to use of the card and conformance to current regulations and Center policies. The Bankcard Homepage provides Cardholders with links to job aids, source selection guidelines, restricted and sensitive items guidance, etc. The audit will concentrate on charges for items restricted for use by Center policies, purchases from specialty vendors, e.g. florists, restaurants, jewelry stores, etc. Item descriptions, categories and justifications in the comments field will also be reviewed.

2. **Ensure that proper documentation is being kept.**

Cardholders are responsible for keeping all receipts and invoices associated with an order. All of these receipts should be kept for three years in accordance with the Records Retention Schedule 5 (NPG 1441.1, Item 1A.b). Cardholders should also annotate the comments section in the order log when an approval is received to buy a restricted item (e.g. Televisions, DVD players, VCRs, microwaves, refrigerators, coffee makers, food, etc.).

3. **Ensure proper tagging of sensitive items.**

Cardholders are responsible for ensuring appropriate tagging of sensitive items or equipment. A Sensitive Item is any item of equipment which, due to its pilferable nature or the possibility of it being a hazard, requires a stringent degree of control. Generally, sensitive items are controlled at an acquisition cost of $500 or more and must be tagged in accordance with receipt and inspection procedures. For Sensitive Items with a value of less than $500, a NASA Form 1517, *Property of U.S. Government* decal, should be obtained from the Cardholder's Property Custodian. This will be the responsibility of the Industrial Property Group (TA-E1).

4. Electronic and Information Technology Items/ 508 Compliance Audit

When procuring, developing, maintaining or using Electronic and Information Technology (EIT), agencies must ensure that employees with disabilities have access to and use of information and data that is comparable to that for other employees; and members of the general public with disabilities seeking information or services from an agency, have access to and use of information and data that is comparable to that for members of the public without disabilities.

Section 508 (found at 29 U.S.C. 794d) refers to a section in the Rehabilitation Act of 1973, which was amended by the Workforce Investment Act of 1998 (P.L. 105-220). Its primary purpose is to provide access to and use of Federal executive agencies' EIT by individuals with disabilities. The statutory language of Section 508 can be found at http://www.section508.gov. Starting April 1, 2005, micro-purchases (generally those purchases made through the P-Card process) are required to conform to Section 508 of the Rehabilitation Act.

In addition Cardholders are responsible for ensuring that Outsourcing Desktop Initiative (ODIN), is considered as the primary source for platforms with ODIN equivalents (desktops, laptops, workstations, and network printers), and for the augmentation of ODIN seats as in accordance with KDP-KSC-P-1838.

Audit Process:

The Center APC will accomplish the Account Activity Review objective using the P-Card software which allows one to see how many transactions were made during the fiscal year and the dollar amount of the transactions for each cardholder.

Parts 1 and 2 of the Transaction Activity Review will be conducted by the Center APC with assistance from personnel in the Procurement Policy Office. Transactions will be reviewed using the P-Card software which allows one to see detailed information about Order Logs and Transactions. All cardholders with transactions will be audited.

Part 3 of the Transaction Activity Review will be conducted by the KSC Property Office. A listing of order logs containing sensitive items will be given to the KSC Property Office so that they can ensure these items have been tagged.

Part 4 of the Transaction Activity Review will be conducted by the Information Technology Directorate. Using a sampling method, 30-50 line items will be selected and audited. Cardholders will be required to provide documentation on the selected line items in order to ensure compliance with the regulations.

FY 2007 Purchase Card EIT Audit Report

FY 2007 purchase card transactions were examined for compliance with Section 508 policies and consideration of ODIN policies. Overall compliance is acceptable.

EIT (electronic and information technology), Section 508, and consideration of ODIN training was given to all purchase cardholders and approvers in the first quarter of FY 2007. Training materials were posted to the KSC purchase card web site.

To allow for comparison with the FY 2006 audit, a random sample of twenty items were selected from all the items identified as EIT. Ten items were selected from those items marked not Section 508 compliant and ten items were selected from those items marked as Section 508 compliant. Additionally selected overall data were examined.

The custom reporting capability available within the P-Card Web Solution was used to obtain line item records of transactions. Specifically the Agency Trans 508 report was used. As a KSC auditor, the report generated only KSC records. A report was generated for FY 2007. The Agency Order 508 report was used in a similar fashion as the source of the Comments field for technical reasons.

Random Sample Conclusions:

Purchase cardholders are diligent in identifying EIT, determining Section 508 compliance, and considering ODIN. This is consistent with FY 2006.

Purchase cardholders continue to over-identify EIT. In this sample, 35% of the line items were misidentified as EIT. This is consistent with FY 2006.

Purchase cardholders made reasonable determinations of Section 508 compliance in all cases. This is consistent with FY 2006.

Purchase cardholders documented their ODIN due diligence in the comments for 30% of the line items. This is consistent with FY 2006. (The overall data below show a significantly higher rate of 52%.)

Overall Data:

The FY 2007 Agency Trans 508 report has 11,046 line item records. Of the 11,046 records, 857 records are identified as EIT. The percentage of EIT records is 8%. Of the 857 EIT records, 573 records are Section 508 compliant. The percentage of Section 508 compliant records is 67%. Of the 857 EIT records, 447 records referenced ODIN in the Comments as required by KDP-KSC-P-1838 Consideration of ODIN for the Purchase of Information Technology. The percentage of ODIN records is 52%.

Overall Data Conclusions:

Purchase cardholders are diligent in identifying EIT, determining Section 508 compliance, and considering ODIN. The 67% Section 508 compliance indicates that vendors are providing more Section 508 voluntary product accessibility template documentation and that purchase cardholders are diligent in their market research. The 52% documentation of the consideration of ODIN is a significant improvement for purchase cardholders and reflects the FY 2007 training effort.

Recommendation:

Continue training purchase cardholders with regard to EIT, Section 508, and consideration of ODIN.

Action:

Update consideration of ODIN training material to reflect changes due to Mission Focus Review Recommendation 137, Mandatory Use of the Outsourcing Desktop Initiative (ODIN).

If you have any questions with regard to this report, contact Arthur Beller, IT-A.

Thoughts on Gov't charge cards purchased since Oct 1, 2006, Q1 + Q2

I question whether or not the items that I looked at this quarter are being properly purchased through the correct channels.

I find it quite startling that 1/4 of my audit was looking at items that should have or would have been tagged if they were bought through the Odin process. But because they weren't, even though they are on the sensitive item list, most of the items that I looked at were valued less than the $500 threshold requirement; which always has the capability of walking out the door at any time because they are not tagged. Since IT order many of the items that I was questioning, I spoke with Cathy Norris in IT and she verified that the items that I was questioning were available through the Odin Catalog and these items should have been purchased through them.

I spoke with Art Beller who is the IT person whom authorizes the Credit card purchases in IT. We discussed the advantages and disadvantages of utilizing purchases which are done on the CC vs. the Odin catalog. Although it is a primary obligation to consider utilizing ODIN first, there is a 20% differential cost savings that is being utilized as the official waiver which authorizes such items to be purchased on the CC vs utilizing the ODIN Catalog per the KDP-KSC-P-1838. The individual organizations my have available money to purchase through the catalog, but it proves to be more cost efficient to purchases the same items through the CC than the catalog. ODIN is still responsible for repairing the computers and other such items which are being purchased through the CC. So I guess in the long run; ODIN truly isn't losing out.

However, this issue isn't just related to IT its across the board with all of the organizations. But I think in the grand view of all of this, its sometimes easier or less expensive to purchase these items on the charge card then to go through the ODIN Process. However, since ODIN does have the contract to do this for us, I think we should remind everyone to purchase these items through the ODIN catalog and not on the Gov't charge card as what was done primarily on this particular audit. People are using the CC as a convenience and not as a last resort, by not utilizing or exhausting the available official sources first, which is the service that ODIN is getting paid to provide us.

The items that I saw which I felt could have been ordered through the ODIN catalog are as follows:

L/I # 3 – (11) a Keyboard & Track Ball
L/I # 4 – (3) a Intuo S3 6x8 pen tablet
L/I # 10 – (10) a 32 MB Flash ATA Memory Card
L/I # 11 – (2) a HP Office jet Pro K550dtwn Network Inkjet
L/I # 14 – a HP Compaq dc7700
L/I # 23 – (60) a USB Keyboard
L/I # 31 – (2) a Dell Ultra sharp 30" LCD Monitor P/N: 3007
L/I # 32 – a 40" Sony Bravia XBR 1080p LCD Monitor
L/I # 34 – (6) a VX2235WM, View Sonic 22" Widescreen Monitor – these monitors are for GG employees to have 2 computers on each desk to help in aid the speediness of their workload and the SAP program at the same time. – More monitors are being ordered as we speak to aid in this problem.

Additionally,

L/I # 26. Is a NASA Gov't charge card which is directly paying for several Verizon cell phone bills out in California. Since NASA /KSC doesn't have a direct contract with Verizon, it was recommended that the Cell phone bills be paid with a Gov't charge card. Who is providing this oversight, to prevent fraud and abuse?

Also, there were a few line sample item that were replaced because there wasn't a valid way to verify that this item even existed.

Original L/I # 4 + 10 – were Adobe Photoshop software – Can't this software be purchased through the ODIN catalog?

Original L/I # 11 - were also a software program for Microsoft Office Project Professional 2007.

Original L/I # 32 – was an IBM Hard Drive; isn't this available through ODIN?

L/I # 18 - I found an issue when items were being received that SN's were not being recorded. In most cases, this shouldn't be a problem. However in several items that I looked at, I was trying to find 7 Receivers and the office had 14 and they couldn't tell which ones where which. I listed all 14 of them by serial numbers. But there weren't any efficient way of determining which ones were which.

Another duplicate problem was L/I # 2, the purchase of 9 conference phones. Although, I did find 9 conference phones that were supposed to have gone to a specific group of people. But, I had no way of telling if for sure that these items were the correct ones to look at because the serial numbers were not provided. I was originally provided with a group of names and found out that 4 of the 9 were not new phones, so I had to go back and inquire about the refurbishment of these phones, and the 2nd hand phones that I was looking at, and in one case a battery charger.

L'I # 11 was an Office Jet Printers - The particular printers that I was trying to locate were difficult because they had more than 6 printers, 3 or 4 of them were still in a box. The POC didn't know which ones were which because he himself didn't have SN's and even though I had the PR #'s that didn't seem to help him much either. None of them were tagged, had they been purchased through ODIN, this problem wouldn't have existed.

October 19, 2007

Thoughts on Gov't charge card purchases for the 3rd and 4th Quarters

When Patty and I did the 1st and 2nd Quarter audit, we questioned the purchase of computers with credit cards. I found that these sensitive items are still being purchased with the credit card.

The items that I saw which I felt could have been ordered through the ODIN catalog are as follows:

L/I #23 – (1) Rugged Laptop Toughbook 51
L/I #28 – (2) Dell High Color 30" UltraSharp Widescreens. These monitors are for an NE employee who has two computers on his desk.

Additionally, there were a few line items that were not valid for this audit. They are as follows:

L/I #17 – was training at the Holiday Inn
L/I #21 – were professional licenses
L/I #26 – was an autocad 2008
L/I #29 – was a LabView application builder
L/I #33 – was a build-in CAD to a Thermal Desktop

I found a problem with L/I #2. It is a generator with assembly; however it has not come through Receiving and is valued at $9,660.00. I instructed the end user to contact Robin Shaeffer in SGS to make sure it is properly tagged when it does arrive. I will follow up on this item to make sure it is complied with.

I found that all six items that met the criteria to be tagged were tagged and the others had meatballs. If the meatball was missing, I put one on the item. There were only 4 pieces of equipment that were missing the meatball.

All in all, it was a good audit. End users were on top of the location of their equipment and were more than happy to help me.

Debbie